

Registered number: 03380926

VITAFLO (INTERNATIONAL) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



VITAFLO (INTERNATIONAL) LIMITED

COMPANY INFORMATION

Directors

C F Charlesworth
M O'Donnell (resigned 28 November 2018)
K Montazeri (appointed 28 November 2018)

Registered number

03380926

Registered office

Suite 1.11, South Harrington Building
182 Sefton Street, Brunswick Business Park
Liverpool
L3 4BQ

VITAFLO (INTERNATIONAL) LIMITED

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VITAFLO (INTERNATIONAL) LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The directors present their Strategic report for the year ended 31 December 2018.

Business review and future developments

The performance achieved during the year is set out in the Profit and Loss account on page 7.

The results of the Company show turnover for the year of £42,517,000 (2017 - £38,017,000) and a pre-tax profit of £3,764,000 (2017 - £7,574,000).

The Company has net current assets of £2,594,000 (2017 - £5,666,000).

For 2019 and for future years it is the expectation that the company will continue with its current principal activities as set out in the Directors' report.

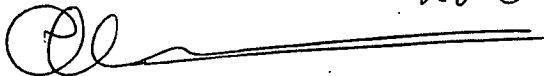
Principal risks and uncertainties

The management of the business of the Company and the execution of its strategy are subject to a number of risks and uncertainties, including the potential impact of Brexit (page 2), a difficult economic environment, a strong competitive environment, currency fluctuations, further trade consolidation, product innovation, employee retention and volatility in input costs.

Financial key performance indicators

The directors consider turnover and the control of costs as key to the success of the Company. Revenue growth, cost levels and overall profitability are measured on a frequent basis against both short and long term target expectations. All metrics in 2018 are in line with planned performance.

This report was approved by the board on *28 October 2019* and signed on its behalf.



C F Charlesworth
Director

VITAFLO (INTERNATIONAL) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Principal activity

The principal activities of the Company in the year under review were that of the development, manufacture and distribution of clinical nutritional products for the dietary management of various clinical conditions.

Results and dividends

The profit for the year, after taxation, amounted to £3,452,000 (2017 - £6,356,000).

Interim dividends of £6,356,000 were paid during the year (2017 - £8,399,000), and the directors have not proposed a final dividend in respect of the current financial year (2017 - £NIL).

Impact of Brexit

On 29 March 2017, the UK government invoked Article 50 of the Treaty of Lisbon, notifying the European Council of its intention to withdraw from the European Union (the "EU"). There was an initial two-year timeframe for the UK and the EU to reach an agreement on the withdrawal and the future UK and EU relationship, although this timeframe has now been extended to 31 October 2019.

Following the UK referendum vote to leave the EU in June 2016, the value of sterling weakened against major currencies, resulting in an adverse foreign exchange impact, particularly on purchases from the Eurozone.

There is still significant uncertainty about the withdrawal process and the future arrangements between the UK and the EU. As a result of this uncertainty, the performance of the Company may be adversely affected.

The process and the eventual outcome of the negotiations will also introduce exposures to the economy as a whole, to which the performance of the Company is inherently linked. In the short term there is some exposure to an upturn in inflation connected to the weakened sterling. The medium to long term exposures are currently uncertain and will depend on the outcome of exit negotiations.

Directors

The directors who served during the year were:

C F Charlesworth

M O'Donnell (resigned 28 November 2018)

K Montazeri (appointed 28 November 2018)

Environmental matters

The Company will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The Company has complied with all applicable legislation and regulations.

Research and development activities

Research and Development (R&D) activities within the company include the development of new clinical nutrition products in the dietary management of inborn errors of metabolism and certain specific diseases as well as in the treatment of disease related malnutrition.

VITAFLO (INTERNATIONAL) LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Employee involvement

Employees are recognised as key assets of the Company and their quality and motivation are essential for the Company to compete successfully in its markets. To help achieve corporate aims and objectives, the Company maintains and develops formal and informal systems of communication with its employees to discuss matters of mutual interest. Information on matters of concern to employees is given through bulletins, meetings, reports and newsletters, and includes information to enable them to gain awareness of financial and economic factors affecting the Company.

The Company fully supports the rights of individuals to seek, obtain and hold employment without discrimination on the grounds of race, colour, religion, origin, sex, sexual orientation, disability or marital status. The Company seeks to provide a working environment free of any harassment or intimidation. Policies relating to training, career development and succession are applied equally to disabled and able bodied employees. Employees who become disabled are retained, where possible, through redeployment and retraining, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Occupational Health and Safety continued to receive the same high profile in 2018 with a commitment across all areas of the business to sustain the continual improvement in performance. Proactive preventative Occupational Health and Safety systems auditing continues and demonstrates increasing performance and the development of plans to continue with continual increase in performance.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

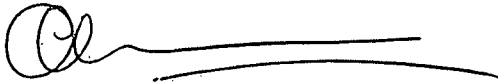
Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, KPMG LLP, Statutory Auditor, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *28 October 2019* and signed on its behalf.



C F Charlesworth
Director

VITAFLO (INTERNATIONAL) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework, a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

VITAFLO (INTERNATIONAL) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VITAFLO (INTERNATIONAL) LIMITED

Opinion

We have audited the financial statements of Vitaflo (International) Limited ("the Company") for the year ended 31 December 2018 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Other information

The directors are responsible for the other information, which comprises the Strategic Report and Directors' Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements

VITAFLO (INTERNATIONAL) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VITAFLO (INTERNATIONAL) LIMITED

audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

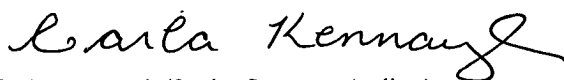
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Carla Kennaugh (Senior Statutory Auditor)

for and on behalf of

KPMG LLP, Statutory Auditor

Chartered Accountants

8 Princes Parade

Liverpool, L3 1QH

Date: 28 October 2019

VITAFLO (INTERNATIONAL) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
Turnover		42,517	38,017
Cost of sales		(30,827)	(22,456)
Gross profit		11,690	15,561
Administrative expenses		(10,102)	(9,472)
Operating profit	3	1,588	6,089
Income from shares in group undertakings		2,214	1,492
Interest payable and similar expenses	7	(38)	(7)
Profit before tax		3,764	7,574
Tax on profit	8	(312)	(1,218)
Profit for the financial year		3,452	6,356

There were no recognised gains and losses for 2018 or 2017 other than those included in the profit and loss account.

The notes on pages 11 to 24 form part of these financial statements.

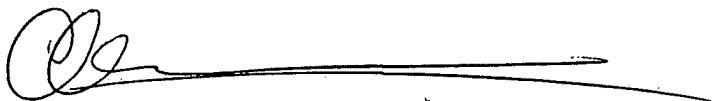
All activities of the Company relate to continuing operations.

VITAFLO (INTERNATIONAL) LIMITED
REGISTERED NUMBER: 03380926

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Fixed assets			
Tangible assets	10	1,643	1,475
Investments	11	27	27
		<u>1,670</u>	<u>1,502</u>
Current assets			
Stocks	12	7,943	11,126
Debtors: amounts falling due within one year	13	11,861	10,453
Cash at bank and in hand	14	694	2,508
		<u>20,498</u>	<u>24,087</u>
Creditors: amounts falling due within one year	15	(17,904)	(18,421)
Net current assets		<u>2,594</u>	<u>5,666</u>
Total assets less current liabilities		<u>4,264</u>	<u>7,168</u>
Net assets		<u><u>4,264</u></u>	<u><u>7,168</u></u>
Capital and reserves			
Called up share capital	18	625	625
Share premium account		17	17
Capital redemption reserve		170	170
Profit and loss account		3,452	6,356
		<u>4,264</u>	<u>7,168</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on



C F Charlesworth
Director

The notes on pages 11 to 24 form part of these financial statements.

VITAFLO (INTERNATIONAL) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2018	625	17	170	6,356	7,168
Profit for the year	-	-	-	3,452	3,452
Dividends paid (see note 9)	-	-	-	(6,356)	(6,356)
At 31 December 2018	625	17	170	3,452	4,264

The notes on pages 11 to 24 form part of these financial statements.

VITAFLO (INTERNATIONAL) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2017	625	17	170	8,339	9,151
Profit for the year	-	-	-	6,356	6,356
Dividends paid (see note 9)	-	-	-	(8,339)	(8,339)
At 31 December 2017	625	17	170	6,356	7,168

The notes on pages 11 to 24 form part of these financial statements.

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies

1.1 Basis of preparation of financial statements

VitaFlo (International) Limited (the "Company") is a company incorporated and domiciled in the UK. The registered address is Suite 1.11, South Harrington Building, 182 Sefton Street, Brunswick Business Park, Liverpool, L3 4BQ.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2013/14 Cycle) issued in July 2015 and effective immediately have been applied.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare and deliver group accounts. These financial statements present information about the Company as an individual undertaking and, not about its group.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The following principal accounting policies have been applied:

1.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company's ultimate parent undertaking, Nestlé S.A. includes the Company in its consolidated financial statements. The consolidated financial statements of Nestlé S.A. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Nestlé Headquarters, CH1800, Vevey, Switzerland.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of IAS 7 Statement of Cash Flows
- the effects of new but not yet effective IFRSs
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.3 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and Directors' Report on pages 1 to 3.

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.4 Impact of new international reporting standards, amendments and interpretations

IFRS 9

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 9 from 1 January 2018.

IFRS 15

From 1 January 2018, the Company has applied IFRS 15 using the cumulative effect method.

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 15 from 1 January 2018.

1.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. Revenue is recognised when the goods are either dispatched or delivered depending on the relevant delivery terms and at the point at which risks and rewards of ownership are transferred to the buyer, when prices are determined and when collectability is considered probable.

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant & machinery	- 15%
Fixtures & fittings	- 15 - 20%
Computer equipment	- 25%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss account.

1.7 Operating leases

Rentals paid under operating leases are charged to the Profit and Loss account on a straight line basis over the lease term.

Lease incentives received are recognised in the Profit and Loss account as an integral part of the total lease expense.

1.8 Valuation of investments

- Investments in subsidiaries are measured at cost less accumulated impairment.

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.12 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.13 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.14 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and Loss account within 'other operating income'.

1.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

1.16 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Profit and Loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.18 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2. Turnover

The whole of the turnover is attributable to the principal business activity.

The directors believe that it would be seriously prejudicial to the interests of the Company to disclose the geographical split of turnover.

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3. Operating profit

The operating profit is stated after charging:

	2018 £000	2017 £000
Depreciation of tangible fixed assets	289	223
Loss on disposal of fixed assets	3	-
Exchange differences	(138)	242
Operating lease rentals	646	585
Defined contribution pension cost	453	410

4. Auditor's remuneration

The Company paid the following amounts to its auditor in respect of the audit of the financial statements and for other services provided to the Company.

	2018 £000	2017 £000
Fees for the audit of the Company	46	38

The value of non-audit services for the year was £NIL (2017 - £NIL).

5. Employees

Staff costs, including directors' remuneration, were as follows:

	2018 £000	2017 £000
Wages and salaries	8,529	7,948
Social security costs	1,002	967
Cost of defined contribution pension scheme	453	410
	<u>9,984</u>	<u>9,325</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Production	46	47
Research & Development	47	42
Marketing	62	58
Administration	18	16
Directors	2	2
	<u>175</u>	<u>165</u>

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

6. Directors' remuneration

	2018 £000	2017 £000
Directors' emoluments	561	563
Directors pension costs - money purchase schemes	25	19
	<u>586</u>	<u>582</u>

During the year retirement benefits were accruing to 3 directors (2017 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £371,000 (2017 - £284,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £14,000 (2017 - £14,000).

7. Interest payable and similar expenses

	2018 £000	2017 £000
Bank interest payable	38	7
	<u>38</u>	<u>7</u>

The total of £38,000 (2017 - £7,000) is wholly in respect of group cash pooling arrangements.

8. Taxation

	2018 £000	2017 £000
Corporation tax		
Current tax on profits for the year	321	1,200
Adjustments in respect of previous periods	(74)	15
Total current tax	<u>247</u>	<u>1,215</u>
Deferred tax		
Origination and reversal of timing differences	65	(1)
Changes to tax rates	-	3
Deferred tax relating to prior years	-	1
Total deferred tax	<u>65</u>	<u>3</u>
Taxation on profit on ordinary activities	<u>312</u>	<u>1,218</u>

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit before tax	3,764	7,574
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	715	1,458
Effects of:		
Expenses not deductible for tax purposes	-	28
Adjustments to tax charge in respect of prior periods	(74)	16
Non-taxable income	(329)	(287)
Effect of change of tax rate	-	3
Total tax charge for the year	312	1,218

Factors that may affect future tax charges

The main rate of UK corporation tax is 19% effective from 1 April 2017. Legislation, now substantively enacted, to further reduce the main rate of corporation tax from from 19% to 17% with effect from 1 April 2020, was included in Finance Act 2016. The effect of the rate reductions on the deferred tax balances as at 31 December 2018 has been considered in calculating the figures above.

9. Dividends

	2018 £000	2017 £000
Dividend paid on £1 ordinary shares	6,356	8,339
	6,356	8,339

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

10. Tangible fixed assets

	Plant & machinery £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 January 2018	1,224	1,529	520	3,273
Additions	182	223	55	460
Disposals	(26)	(8)	(178)	(212)
At 31 December 2018	<u>1,380</u>	<u>1,744</u>	<u>397</u>	<u>3,521</u>
Depreciation				
At 1 January 2018	311	1,074	413	1,798
Charge for the year on owned assets	142	102	45	289
Disposals	(26)	(5)	(178)	(209)
At 31 December 2018	<u>427</u>	<u>1,171</u>	<u>280</u>	<u>1,878</u>
Net book value				
At 31 December 2018	<u>953</u>	<u>573</u>	<u>117</u>	<u>1,643</u>
At 31 December 2017	<u>913</u>	<u>455</u>	<u>107</u>	<u>1,475</u>

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

11. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2018	27
At 31 December 2018	<u>27</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
Vitaflo France SARL	Ordinary	100%
Vitaflo Limited	Ordinary	100%

The aggregate of the share capital and reserves as at 31 December 2018 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £000	Profit/(Loss) £000
Vitaflo France SARL	5,224	1,295
Vitaflo Limited	20	-

12. Stocks

	2018 £000	2017 £000
Raw materials and consumables	3,185	5,123
Work in progress	241	591
Finished goods and goods for resale	4,517	5,412
	<u>7,943</u>	<u>11,126</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £8,471,000 (2017 - £7,524,000). The write-down of stocks to net realisable value amounted to £Nil (2017 - £Nil).

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

13. Debtors

	2018 £000	2017 £000
Trade debtors	6,515	5,534
Amounts owed by group undertakings	3,737	2,931
Other debtors	851	1,279
Prepayments and accrued income	743	626
Deferred taxation	15	83
	<u>11,861</u>	<u>10,453</u>

Amounts owed by group undertakings include £NIL (2017 - NIL) in respect of group cash pooling arrangements. All amounts included within debtors are expected to be recovered within one year.

14. Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	694	2,508
	<u>694</u>	<u>2,508</u>

15. Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	2,568	4,976
Amounts owed to group undertakings	10,389	8,453
Corporation tax	321	1,200
Other taxation and social security	422	346
Other creditors	1,003	587
Accruals and deferred income	3,201	2,859
	<u>17,904</u>	<u>18,421</u>

Amounts owed to group undertakings include £4,186,000 (2017 - £7,872,000) in respect of group cash pooling arrangements.

VITAFLO (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

16. Financial instruments

	2018 £000	2017 £000
Financial assets		
Financial assets measured at fair value through profit or loss	694	2,508
Financial assets that are debt instruments measured at amortised cost	11,103	9,744
	<u>11,797</u>	<u>12,252</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(17,161)</u>	<u>(16,875)</u>

Financial assets measured at amortised cost comprise of trade and other debtors.

Financial liabilities measured at amortised cost comprise of trade and other creditors.

17. Deferred taxation

	2018 £000	2017 £000
At beginning of year	83	86
(Charged)/ credited to the profit or loss	(68)	(3)
At end of year	<u>15</u>	<u>83</u>

The deferred tax asset is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	15	20
Other timing differences	-	63
	<u>15</u>	<u>83</u>

VITAFLO (INTERNATIONAL) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

18. Share capital

	2018 £000	2017 £000
Allotted, called up and fully paid		
625,000 (2017 - 625,000) Ordinary shares of £1.00 each	625	625
	625	625

19. Pension commitments

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £453,000 (2017 - £410,000).

Contributions amounting to £NIL (2017 - £NIL) were payable to the scheme at the year end and are included in creditors.

20. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Not later than 1 year	609	558
Later than 1 year and not later than 5 years	530	926
	1,139	1,484

Operating leases are held in relation to land and buildings and vehicles for use in continuing operations. The profit and loss charge in relation to operating leases in 2018 was £645,000 (2017 - £549,000).

21. Ultimate parent undertaking and controlling party

Nestlé UK Ltd, which is registered in England and Wales, is the Company's immediate parent company.

The ultimate holding company is Nestlé S.A., CH-1800 Vevey, Switzerland which is incorporated in Switzerland, from whom copies of their group accounts can be obtained.